

CONTRACT #7
RFS # 318.66-022
FA # 01-14662

Finance & Administration
Bureau of TennCare

VENDOR:
Premier Behavioral Health
Systems of Tennessee, LLC



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

June 4, 2009

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

Dear Mr. White:

RECEIVED

JUN 08 2009

FISCAL REVIEW

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee, Amendment #20 to Volunteer State Health Plan, Inc., Amendment #22 to Premier Behavioral Health Systems of Tennessee, LLC; and a new contract with Electronic Data Systems, LLC.

Amendment #20 to Volunteer State Health Plan (TennCare Select) is for the continuation for an additional year of medical services currently being provided by the contractor to children in state custody as well as other high risk TennCare enrollees. In addition to extending the contract for an additional year, the amendment also includes language integrating behavioral health services, to begin September 1, 2009, to be provided to the population sectors covered by TennCare Select.

Premier Behavioral Health Systems is the current contractor for the provision of behavioral health services for TennCare Select enrollees. This amendment will extend the term dates of the current contract with Premier for an additional two months to provide transition of behavioral health services to TennCare Select, who will assume the provision of integrated medical and behavioral health services on September 1, 2009. Additionally, the amendment provides funding and payment methodology to support the term extension.

Finally, the Bureau of TennCare is seeking approval to enter into a new contract with Electronic Data Systems (EDS) for the operation and enhancement of the TennCare Management Information Systems (TCMIS), including eight enhancements that will be implemented and operationalized over the next two years and two assessments that will

Mr. Jim White
June 4, 2009
Page 2

evaluate the Bureau's capabilities pertaining to Management and Administrative Reporting and the remediation needs for ICD10 implementation.

The Bureau of TennCare would greatly appreciate the consideration and approval of this contract and amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal flourish extending to the right.

Scott Pierce
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Contract Coordinator

Supplemental Documentation Required for Fiscal Review Committee

*Contact Name:	Scott Pierce	*Contact Phone:	615-507-6415
*Contract Number:	FA-01-14662-00	*RFS Number:	318.66-022
*Original Contract Begin Date:	January 1, 2001	*Current End Date:	June 30, 2009
Current Request Amendment Number: (if applicable)		22	
Proposed Amendment Effective Date: (if applicable)		July 1, 2009	
*Department Submitting:		Department of Finance and Administration	
*Division:		Bureau of TennCare	
*Date Submitted:		June 4, 2009	
*Submitted Within Sixty (60) days:		No	
If not, explain:		<p>Due to transitioning of behavioral health services to Managed Care Contractor, the Bureau of TennCare was anticipating the end of this contract effective June 30, 2009. RFPs have been processed and new managed care contractors identified to provide both medical and behavioral health services for TennCare enrollees, therefore eliminating the need for a separate behavioral health contract. TennCare Select, the managed care contractor providing services to children in state custody and those at high risk, will begin assuming behavioral services in September, 2009, however, this two month period provides transition services for Premier to continue these services until the projected September 1 integration date.</p>	
*Contract Vendor Name:		Premier Behavioral Health Systems of Tennessee, LLC	
*Current Maximum Liability:		\$1,693,658,666.00	
*Current Contract Allocation by Fiscal Year: (as Shown on Most Current Fully Executed Contract Summary Sheet)			
FY: 2001	FY: 2002	FY: 2003	FY: 2004
\$93,648,700	\$ 203,898,435	\$255,489,500	\$285,784,687
FY: 2005	FY: 2006	FY: 2007	FY: 2008
\$ 286,664,044	\$205,796,100	FY: 2009	FY:
\$212,376,900	\$100,000,000	\$50,000,000	
*Current Total Expenditures by Fiscal Year of Contract: (attach backup documentation from STARS or FDAS report)			
FY: 2001	FY: 2002	FY: 2003	FY: 2004
\$170,112,597	\$247,164,707	\$266,693,019	\$259,796,484
FY: 2005	FY: 2006	FY: 2007	FY: 2008
\$185,797,190	\$227,634,958	FY: 2009	FY:
\$200,697,337	\$94,443,759	\$61,525,917	
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:		N/A	
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		N/A	
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:		TennCare is obligated by contract to reimburse the Behavioral Health Organizations for claims paid by the plan to providers and pay an administrative capitation payment per member to cover administrative costs. The maximum liability amounts for this contract represent the payments made by the state to the plan to	

Supplemental Documentation Required for Fiscal Review Committee

		fiscal year. The contract payments reported for each fiscal year represent both the claims reimbursement payments and the administrative payments to the plan.	
*Contract Funding Source/Amount:	State:	\$607,588,481**	Federal: 1,086,070,185**
Interdepartmental:			Other:
If "other" please define:			
Dates of All Previous Amendments or Revisions: (if applicable)		Brief Description of Actions in Previous Amendments or Revisions: (if applicable)	
Amendment #21 – July 1, 2008		Extends term and provides funding for FY 2009. Establishes payment rates and funding mechanism for FY 09. Scope amended to add requirements to enhance quality standards for the provision of behavioral health services to TennCare recipients	
Amendment #20 – November 1, 2007		Revises payment rates and funding mechanism for TennCare Behavioral Health Organization (BHO) services through 6/30/08. Decreases funding for FY 2008.	
Amendment #19 – August 1, 2007		Establishes payment rates and funding mechanism for BHO services from 8/1/07 through 6/30/08	
Amendment #18 – July 1, 2007		Extends term and provides funding for FY 2008. Modifies BHO language to ensure compliance with CMS requirements and consistency with Department of Education policies; strengthens reporting requirements; clarifies language relating to provider agreements; modifies mandatory evaluation language in accordance with TCA.	
Amendment #17 – January 1, 2007		Adds contract provisions relating to fraud and abuse; disaster recovery; reporting; notification of legal action against the contractor; conflicts of interest, and prohibition of illegal immigrants	
Amendment #16 – September 8, 2006		Revises payment rates for 9/1/2006 through 6/30/2007	
Amendment #15 – July 13, 2006		Establishes payment rates and payment methodology for FY 2007. Provides funding for FY 07. Modifies and/or adds contract provisions relating to fraud and abuse investigation requirements, emergency medical services, appeals process, provider director distribution, credentialing manual requirements, network notification procedures, provider terminations, quality monitoring, case management reporting, and Title VI compliance.	
Amendment #14 – January 1, 2006		Extends term to 6/30/2007. Revises payment rates and methodology and increases funding for FY 2006. Modifies and/or adds contract provisions relating to fraud and abuse; pharmacy lock-in; cost sharing; out of state and out of plan requirements; emergency mental health and substance abuse services; retroactive eligibility; prior authorization procedures; appeals process; enrollee materials, handbooks, identification cards; staff requirements; provider contracts; clinical studies; medical records requirements; audit requirements; interest; and TPL resources.	
Amendment #13 – September 30, 2005		Revises payment rates and payment methodology. Reduces funding for FY 2006	
Amendment #12 – July 22, 2005		Extends term to 6/30/2006. Establishes payment rates and payment methodology for FY 2006. Provides funding for FY 06. Modifies and/or adds contract provisions relating to conflicts of interest; lobbying; offer of gratuities; and covered mental health and substance abuse services.	
Amendment #11 – March 1, 2005		Provides additional funding for FY 2005. Housekeeping changes including updating references to "EPSDT" to "TENnderCare." Modifies and/or adds contract provisions relating to member handbooks; identification cards; enrollee notices; Title VI	

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	compliance requirements; provider enrollment reporting; and complaints and appeals reporting.
Amendment #10 – September 30, 2004	Extends term to 6/30/2005. Establishes payment rates and payment methodology for FY 2005 and provides funding for FY 05. Modifies and/or adds contract provisions relating to reporting timetables and CMS requirements.
Amendment #9 – September 30, 2004	Modifies and/or add contract provisions relating to post-stabilization care services; appeals requirements; performance measures; covered benefits; fraud and abuse; audit requirements; and conflicts of interest.
Amendment #8 – March 30, 2004	Extends the term to 6/30/2004 and increases funding for FY 2004. Modifies contract provisions relating to payment methodology.
Amendment #7 – January 1, 2001	Extends the term to 3/31/2004 and increases funding for FY 2004.
Amendment #6 – July 1, 2003	Increases funding for FY 2004. Modifies contract provisions relating to payment methodology.
Amendment #5 – July 1, 2003	Extends the term to 12/31/2003 and provides funding for FY 2004. Modifies and/or adds contract provisions relating to contract termination requirements and payment methodology.
Amendment #4 – February 7, 2003	Modifies and/or adds contract provisions relating to payment methodology and actions taken by Contractor requiring State approval.
Amendment #3 – January 1, 2003	Increases funding for FY 2003. Modifies and/or adds contract provisions relating to contract amendments; fraud and abuse; disenrollment of children; covered services; crises services; EPSDT; service development; financial disclosure; participant materials; marketing; coordination with TennCare MCOs; reporting requirements; quality monitoring programs; and appeals process. Makes revisions to the TennCare BHO Manual.
Amendment #2 – February 20, 2002	Adds funding to FY 2002. Modifies and/or adds contract provisions relating to mental health case management for children in State custody; covered services; and EPSDT.
Amendment #1 – August 21, 2001.	Extends term to 6/30/2003 and provides funding for FY 2003. Modifies and/or adds contract provisions relating to payment methodology; financial records and reporting requirements; monitoring and audit requirements; fiscal management; and Title VI compliance.
Method of Original Award: <i>(if applicable)</i> Non Competitive.	

081 BHO Magellan Vendor payments (2001-2009)

Month	2009	2008	2007	2006	2005	2004	2003	2002	2001
Jul	8,058,553.67	8,205,786.63	18,692,861.05	18,750,357.38	-	22,107,567.10	23,244,368.70	19,230,407.20	14,228,920.36
Aug	8,435,497.57	8,303,720.87	18,251,335.18	18,680,411.34	-	21,567,024.90	22,839,644.89	17,260,032.83	14,230,188.60
Sept	6,746,697.48	8,577,960.41	18,171,224.46	18,762,173.43	-	21,836,706.05	22,560,475.58	17,425,586.77	-
Oct	7,627,127.45	6,280,117.61	22,415,582.63	18,780,231.63	17,892,096.78	21,933,287.80	22,633,406.10	17,465,833.52	15,796,600.88
Nov	5,005,681.94	7,979,267.51	19,637,481.53	18,810,477.47	16,702,943.33	21,547,597.16	22,834,393.92	22,193,003.90	15,408,721.68
Dec	4,981,486.97	8,053,137.03	19,260,214.22	18,823,429.96	17,558,065.08	21,446,271.99	22,753,522.14	22,542,169.77	15,608,120.37
Jan	3,747,499.55	7,806,769.01	19,616,137.68	18,088,593.52	18,076,213.70	21,393,424.05	22,736,383.40	22,393,946.21	15,546,769.75
Feb	4,758,256.43	7,381,444.88	18,852,662.61	23,620,929.49	18,084,322.04	21,498,308.50	20,452,352.57	21,986,063.00	15,980,506.75
Mar	3,950,940.75	8,087,551.20	19,869,833.98	18,659,650.03	18,109,791.14	21,569,564.28	21,626,267.98	21,666,227.58	15,512,018.43
Apr	4,143,284.91	7,813,841.82	9,242,602.67	18,278,301.70	18,208,895.14	21,623,221.35	21,876,838.08	21,590,893.85	15,516,716.44
May	4,070,890.98	7,846,517.90	8,182,364.38	18,017,525.34	21,932,151.82	21,652,182.63	21,619,092.47	21,735,643.51	15,615,582.24
Jun	-	8,107,644.73	8,505,037.33	18,362,877.41	21,717,405.78	21,621,328.27	21,516,273.49	21,674,899.55	-
Total	61,525,917.70	94,443,759.60	200,697,331.72	227,634,958.70	185,797,190.88	259,796,484.08	266,693,019.32	247,164,707.69	170,112,597.40

Supplemental Documentation Required for Fiscal Review Committee

- (1) **A detailed breakdown of the actual expenditures anticipated in each year of the contract, including specific line items, the source of funds (federal, state, or other--if other, please specify source), and the disposition of any excess funds.**

Actual expenditures are provided by enrollment rates by category as listed below. This contract is paid at Federal Financial Participation (FFP) rate, which differs from year to year. Fiscal Year 2010 FFP is State: .2586 % Federal: .7414 %

4.7.1. Maximum Liability and Allocation of Funds to this Contract

The Contractor is subject to appropriation and availability of state and federal funds. In no event shall the maximum liability of the State for the **TennCare Partners Program** in the Middle and West Grand Regions (and East Region for special Children's populations) exceed **Twelve Million Dollars (\$12,000,000.00)** for the contract period of **July 1, 2009 through August 31, 2009.**

Section 4.7.2 Payment Methodology is amended by extending the time period for Tables 12, 13, 14, and 15 for two additional months. The tables and accompanying language shall read as follows:

The Contractor shall be compensated based on the rates herein for the payment rate categories authorized by the State. Payments shall be subject to withholds as set forth in the CONTRACT. The rates in table 11 shall be applicable from July 1, 2008 through October 31, 2008 and the rates in tables 12, 13, 14 and 15 shall be applicable from July 1, 2008 through June 30, 2009. **The rates in tables 12, 13, 14 and 15 shall be further extended from July 1, 2009 through August 31, 2009.**

**Table 12: Rates – Enrollment Aligned with TennCare Select High
Middle Region**

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009**

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$235.57	\$14.11	\$497.72
14 – 18	\$280.47	\$57.27	\$497.72

**Supplemental Documentation Required for
Fiscal Review Committee**

19 – 20	\$411.58	\$19.98	\$497.72
21 and over	\$353.56	\$9.46	\$497.72

**Table 13: Rates – Enrollment Aligned with TennCare Select High
East Region**

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009**

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$345.14	\$28.19	\$497.72
14 – 18	\$299.26	\$82.81	\$497.72
19 – 20	\$239.21	\$14.42	\$497.72
21 and over	\$400.30	\$8.89	\$497.72

**Table 14: Rates – Enrollment Aligned with TennCare Select High
West Region**

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009**

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$218.52	\$7.11	\$497.72

Supplemental Documentation Required for
Fiscal Review Committee

14 – 18	\$219.69	\$21.26	\$497.72
19 – 20	\$270.22	\$11.62	\$497.72
21 and over	\$263.57	\$9.22	\$497.72

Table 15: Rates – Enrollment aligned with TennCare Select Low
BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$73.50	\$2.51	\$497.72
14 – 18	\$293.39	\$22.21	\$497.72
19 – 20	\$711.81	\$7.23	\$497.72
21 and over	\$125.19	\$5.65	\$497.72

- (2) **A detailed breakdown in dollars of any savings that the department anticipates will result from this contract, including but not limited to, reduction in positions, reduced equipment costs, travel, or any other item related to the contract.**

The two month extension of the Premier Behavioral Services contract will continue the service levels currently provided to TennCare Select members. While there are no savings projected from this contract amendment, the costs on average for the services to be provided should remain relatively the same as experienced in the prior fiscal year.

- (3) **A detailed analysis in dollars of the cost of obtaining this service through the proposed contract as compared to other options.**

As this is a two month extension of an existing contract, there is no comparable alternative to this contract for a short time frame. As mentioned in the previous question, this contract extension should provide services for the Select population at costs that are relatively equal to the costs incurred in the previous twelve months.

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required.
A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT
CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED.

RFS #

318.66-022

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JUN 08 2009

STATE AGENCY NAME :

Department of Finance and Administration
Bureau of TennCare

FISCAL REVIEW

SERVICE CAPTION :

Behavioral Health Organizations Providing Medically Necessary Behavioral Services to the
TennCare/Medicaid Population

CONTRACT #

FA-01-14662-00

PROPOSED AMENDMENT #

22

CONTRACTOR :

Premier Behavioral Health Systems of Tennessee, LLC

CONTRACT START DATE :

01/01/2001

CURRENT, LATEST POSSIBLE END DATE :
(including ALL options to extend)

06/30/2009

CURRENT MAXIMUM LIABILITY :

\$1,693,658,666.00

LATEST POSSIBLE END DATE WITH PROPOSED AMENDMENT :
(including ALL options to extend)

08/31/2009

TOTAL MAXIMUM COST WITH PROPOSED AMENDMENT :
(including ALL options to extend)

\$1,705,658,666.00

APPROVAL CRITERIA :
(select one)

use of Non-Competitive Negotiation is in the best interest of the state



only one uniquely qualified service provider able to provide the service

ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)

(1) description of the proposed additional service and amendment effects :

This amendment to the existing contract will extend the term dates of the contract for an additional two months to provide transition of behavioral health service to TennCare Select , at which time they will assume behavioral health services as well as medical services. Additionally, the amendment provides funding and payment methodology to support the term extension.

(2) explanation of need for the proposed amendment :

This amendment is needed to extend the term of the contract to coincide with TennCare Select integrating behavioral and medical services for those children in state custody as well as those being at high risk.

(3) name and address of the proposed contractor's principal owner(s) :
(not required if proposed contractor is a state education institution)

Dr. Russ Petrella, Chief Operating Officer
Magellan Behavioral Health
199 Pomeroy Road, 3rd Floor
Parsippany, New Jersey 07054

(4) documentation of OIR endorsement of the Non-Competitive procurement request :
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(5) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(6) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

This contract for Behavioral Health Services for TennCare enrollees has been in effect since 2001. The Bureau of TennCare has released two RFP's for managed care services for both Middle Tennessee and East and West Tennessee, respectively. These new contractors provide both medical and behavioral health services, eliminating the need for separate behavioral health contracts. TennCare Select is the only managed care contractor that does not currently provide integrated medical and behavioral health services, however, they will be assuming these integrated services effective September 1, 2009. Thus, Premier Behavioral Health Systems of TN is being extended for these two additional months only to coincide with TennCare Select assuming behavioral services.

(7) justification of why the F&A Commissioner should approve a Non-Competitive Amendment :

The Bureau of TennCare has put in place new full risk managed care contractors across the state that provide integrated medical and behavioral services to TennCare enrollees. Effective September 1, 2009, TennCare Select, the provider for children in state custody and children at high risk, will begin these integrated services as well. In order for all TennCare enrollees to have adequate behavioral health coverage, it is imperative that Premier Behavioral Health Systems of TN be extended for an additional two month period to coincide with TennCare Select assuming these integrated behavioral services. The Bureau of TennCare would greatly appreciate approval of this amendment by the Commissioner of Finance and Administration.

AGENCY HEAD REQUEST SIGNATURE:


(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)



SIGNATURE DATE

6/4/09

CONTRACT SUMMARY SHEET

RFS Number:	318.66-022		Contract Number:	FA 01-14662-22	
State Agency:	Department of Finance and Administration		Division:		
Contractor			Contractor Identification Number		
Premier Behavioral Health Systems of Tennessee, LLC			X	V-	621641638-00
				C-	
Service Description					
Behavioral Health Organization Services/Medically Necessary Behavioral Services to the TennCare Medicaid Population					
Contract Begin Date			Contract End Date		
1/1/2001			8/31/2009		
Allotment Code	Cost Center	Object Code	Fund	Grant	Grant Code
318.66	135	134	11	on STARS	
FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount include ALL amendments
2001	\$34,017,900.00	\$59,630,800.00			\$93,648,700.00
2002	\$74,061,006.00	\$129,837,429.00			\$203,898,435.00
2003	\$92,800,300.00	\$162,689,500.00			\$255,489,800.00
2004	\$101,603,601.00	\$184,181,086.00			\$285,784,687.00
2005	\$101,163,744.00	\$185,500,300.00			\$286,664,044.00
2006	\$73,675,000.00	\$132,121,100.00			\$205,796,100.00
2007	\$76,030,930.00	\$136,345,970.00			\$212,376,900.00
2008	\$36,305,000.00	\$63,695,000.00			\$100,000,000.00
2009	\$17,931,000.00	\$32,069,000.00			\$50,000,000.00
2010	\$3,103,200.00	\$8,896,800.00			\$12,000,000.00
Total:	\$610,691,681.00	\$1,094,966,985.00	\$0.00	\$0.00	\$1,705,658,666.00
CFDA Number:	93.778 Secretary of Health and Human Services		Check the box (below) ONLY if the answer is YES		
State Fiscal Contact			Is the Contractor a SUBRECIPIENT? (per OMB A-133)		
Name:	Scott Pierce		Is the Contractor a VENDOR? (per OMB A-133)		
Address:	310 Great Circle Road		Is the Fiscal Year Funding STRICTLY LIMITED?		
Phone:	615-507-6415		Is the Contractor on STARS?		
Procuring Agency Budget Officer Signature			Is the Contractor's FORM W-9 ATTACHED?		
			Is the Contractor's Form W-9 Filed with Accounts?		
COMPLETE FOR ALL AMENDMENTS (only)			Funding Certification		
Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.					
Base Contract & Prior Amendments		This Amendment ONLY			
End Date >	6/30/2008	8/31/2009			
FY:	2001	\$93,648,700.00			
FY:	2002	\$203,898,435.00			
FY:	2003	\$255,489,800.00			
FY:	2004	\$285,784,687.00			
FY:	2005	\$286,664,044.00			
FY:	2006	\$205,796,100.00			
FY:	2007	\$212,376,900.00			
FY:	2008	\$100,000,000.00			
FY:	2009	\$50,000,000.00			
	2010	\$12,000,000.00			
Totals:	\$1,693,658,666.00	\$12,000,000.00			

AMENDMENT NUMBER 22

TO PROVIDER RISK CONTRACT #FA-01-14662-00

BETWEEN

**THE STATE OF TENNESSEE DEPARTMENT OF MENTAL HEALTH AND
DEVELOPMENTAL DISABILITIES**

AND

PREMIER BEHAVIORAL SYSTEMS OF TENNESSEE

For and in consideration of the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to clarify and/or amend the Provider Risk Agreement by and between the State of Tennessee Department of Mental Health and Developmental Disabilities, hereinafter referred to as **TDMHDD**, and Premier Behavioral Systems of Tennessee, LLC hereinafter referred to as the **Contractor** as specified below.

Titles and numbering of paragraphs used herein are for the purpose of facilitating use of reference only and shall not be construed to infer a contractual construction of language.

1. The first two sentences of 4.7.1 shall be amended and the new sentences shall read as follows:

4.7.1. Maximum Liability and Allocation of Funds to this Contract

The Contractor is subject to appropriation and availability of state and federal funds. In no event shall the maximum liability of the State for the **TennCare Partners Program** in the Middle and West Grand Regions (and East Region for special Children's populations) exceed **Twelve Million Dollars (\$12,000,000.00)** for the contract period of **July 1, 2009 through August 31, 2009**.

2. Section 4.7.2 Payment Methodology is amended by extending the time period for Tables 12, 13, 14, and 15 for two additional months. The tables and accompanying language shall read as follows:

The Contractor shall be compensated based on the rates herein for the payment rate categories authorized by the State. Payments shall be subject to withholds as set forth in the CONTRACT. The rates in table 11 shall be applicable from July 1, 2008 through October 31, 2008 and the rates in tables 12, 13, 14 and 15 shall be applicable from July 1, 2008 through June 30, 2009. **The rates in tables 12, 13, 14 and 15 shall be further extended from July 1, 2009 through August 31, 2009.**

**Table 12: Rates – Enrollment Aligned with TennCare Select High
Middle Region**

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
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**Table 13: Rates – Enrollment Aligned with TennCare Select High
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and July 1, 2009 – August 31, 2009**

Age Group	Priority	Non-Priority	State Only & Judicials
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14 – 18	\$299.26	\$82.81	\$497.72
19 – 20	\$239.21	\$14.42	\$497.72
21 and over	\$400.30	\$8.89	\$497.72

**Table 14: Rates – Enrollment Aligned with TennCare Select High
West Region**

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009**

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$218.52	\$7.11	\$497.72
14 – 18	\$219.69	\$21.26	\$497.72
19 – 20	\$270.22	\$11.62	\$497.72
21 and over	\$263.57	\$9.22	\$497.72

Table 15: Rates – Enrollment aligned with TennCare Select Low

**BHO Rate Ceiling PMPM: July 1, 2008 – June 30, 2009
and July 1, 2009 – August 31, 2009**

**(Members in the East and West Regions will be Assigned to One of the New Plans in
November and January)**

Age Group	Priority	Non-Priority	State Only & Judicials
0 -13	\$73.50	\$2.51	\$497.72
14 – 18	\$293.39	\$22.21	\$497.72
19 – 20	\$711.81	\$7.23	\$497.72
21 and over	\$125.19	\$5.65	\$497.72

3. Section 4.7.2.2 shall be amended by deleting the last paragraph and replacing the paragraph with the following new paragraphs:

Reconciliation will occur ninety (90) days following the end of the first twelve (12) months and again in six (6) month cycles thereafter, until all medical claims for this Contract period are paid. The second reconciliation covers the period from January, 2007 through June 2009.

Effective July 1, 2009 through August 31, 2009, the terms of the Contractor's risk responsibility shall be:

The Contractor's payment shall be defined by the Medical Loss Ratio (MLR). The Contractor is responsible for all medical expenses incurred in the performance of this Agreement up to 88% MLR. The Contractor will refund to TennCare any payments made by TennCare that are not expended in performance of this contract that fall at or below the 88% MLR. TennCare agrees to be responsible for all medical expenses incurred in the performance of this Agreement above 88% MLR. The capitation is inclusive of a 10% administrative fee and the 2% premium tax. In addition the Contractor will be at risk for 1% of the administrative fee. This 1% risk will be contingent on all requested transition related deliverables being received timely (reference Section 5.1.3 – Continuity of Service). No other payments will be made outside of this settlement.

An additional reconciliation will occur ninety (90) days following the end of the extension period and again in six (6) month cycles thereafter, until all medical claims for the new Contract period are paid. This additional reconciliation covers the period from July 1, 2009 through August 31, 2009.

4. A new penalty shall be added to Section 5.3.3.2 Deliverables:

The new penalty shall be added as follows:

Section	Item	Referenced Section	Amount	Time to Cure
5.3.3.2.61	Failure to provide continuity of service without interruption upon termination of this contract for any reason, and/or failure to cooperate fully with any successor to effect an orderly and efficient transition to a successor	5.1.3 Continuity of Service	\$500. per day for each occurrence until the failure is cured.	none

5. The first sentence of Section 6.20.4 – Term of the Contract shall be amended by extending the term after June 30, 2009. The new sentence shall read as follows:

6.20.4 The CONTRACT shall remain in effect from January 1, 2001 through **August 31, 2009** subject to receipt of necessary State approvals and receipt of approval from the United States Department of Health and Human Services.

6. A new Section 6.24 Federal Economic Stimulus Funding shall be added. The new section shall read as follows:

6.24 Federal Economic Stimulus Funding

This Agreement requires the CONTRACTOR to provide products and/or services that are funded in whole or in part under the American Recovery and Reinvestment Act of 2009, Public Law 111-5, (Recovery Act). The CONTRACTOR is responsible for ensuring that all applicable requirements of the Recovery Act are met and that the CONTRACTOR provides information to the State as required by, but not limited to, the following:

6.24.1 The Recovery Act, including but not limited to the following sections of that Act:

- 6.24.1.1 Section 1606 – Wage Rate Requirements.
- 6.24.1.2 Section 1512 – Reporting and Registration Requirements.
- 6.24.1.3 Sections 902, 1514, and 1515 – General Accounting Office/Inspector General Access.
- 6.24.1.4 Section 1553 – Whistleblower Protections.
- 6.24.1.5 Section 1605 – Buy American Requirements for Construction Material.

6.24.2 Executive Office of the President, Office of Management and Budget (OMB) Guidelines as posted at http://www.whitehouse.gov/omb/recovery_default/, as well as OMB Circulars, including but not limited to A-102 and A-133 as posted at http://www.whitehouse.gov/omb/financial_offm_circulars/.

at

6.24.3 Federal Grant Award Documents.

6.24.4 Office of Tennessee Recovery Act Management Directives.

All of the provisions of the original Agreement not specifically deleted or modified herein shall remain in full force and effect. Unless a provision contained in this Amendment specifically indicates a different effective date, for purposes of the provisions contained herein, this Amendment shall become effective **July 1, 2009** or as of the date it is approved by the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services.

IN WITNESS THEREOF, the parties have by their duly authorized representatives set their signature.

CONTRACTOR

BY: _____ DATE: _____
Anne McCabe
Senior Vice President of Public Sector
Premier Holdings, Inc. Managing Member

**TENNESSEE DEPARTMENT OF MENTAL HEALTH
AND DEVELOPMENTAL DISABILITIES**

BY: _____ DATE: _____
Virginia Trotter Betts, MSN, JD, RN, FAAN
Commissioner

**STATE OF TENNESSEE
DEPARTMENT OF FINANCE
AND ADMINISTRATION**

BY: _____ DATE: _____
M. D. Goetz, Jr.
Commissioner

APPROVED BY:

**STATE OF TENNESSEE
DEPARTMENT OF FINANCE
AND ADMINISTRATION**

BY: _____ DATE: _____
M. D. Goetz, Jr.
Commissioner

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

BY: _____ DATE: _____
Justin P. Wilson
Comptroller



**GENERAL ASSEMBLY OF THE STATE OF TENNESSEE
FISCAL REVIEW COMMITTEE**

320 Sixth Avenue, North – 8th Floor
NASHVILLE, TENNESSEE 37243-0057
615-741-2564

Rep. Charles Curtiss, Chairman

Representatives

Curt Cobb	Donna Rowland
Curtis Johnson	David Shepard
Gerald McCormick	Curry Todd
Mary Pruitt	Eddie Yokley
Craig Fitzhugh, <i>ex officio</i>	
Speaker Jimmy Naifeh, <i>ex officio</i>	

Sen. Douglas Henry, Vice-Chairman

Senators

Doug Jackson	Reginald Tate
Bill Ketron	Jamie Woodson
Paul Stanley	
Randy McNally, <i>ex officio</i>	
Lt. Governor Ron Ramsey, <i>ex officio</i>	

M E M O R A N D U M

TO: The Honorable Dave Goetz, Commissioner
Department of Finance and Administration

FROM: Charles Curtiss, Chairman, Fiscal Review Committee
Bill Ketron, Chairman, Contract Services Subcommittee

DATE: June 25, 2008

SUBJECT: **Contract Comments**
(Contract Services Subcommittee Meetings 6/24)

RFS# 318.66-022

Department: Finance & Administration

Division: Bureau of TennCare

Contractor: Premier Behavioral Health Systems of Tennessee, LLC

Summary: The vendor currently provides medically necessary behavioral services to the TennCare/Medicaid population. The proposed amendment revises transportation services, insurance requirements, and claims payment accuracy requirements. In addition, the per member per month rates are revised, the maximum liability increases by \$50,000,000, and the term of the contract is extended an additional year through June 30, 2009.

Maximum liability: \$1,643,658,666

Maximum liability w/amendment: \$1,693,658,666

After review, the Fiscal Review Committee voted to recommend approval of the contract amendment.

cc: The Honorable Darin Gordon, Deputy Commissioner
Mr. Robert Barlow, Director, Office of Contracts Review



STATE OF TENNESSEE
BUREAU OF TENNCARE
310 Great Circle Road
NASHVILLE, TENNESSEE 37243

RECEIVED

JUN 16 2008

FISCAL REVIEW

June 12, 2008

Mr. Jim White, Director
Fiscal Review Committee
8th Floor, Rachel Jackson Bldg.
Nashville, TN 37243

Attention: Ms. Leni Chick

RE: Bureau of TennCare
Contract Amendments Submitted for Fiscal Review

Dear Mr. White:

The Department of Finance and Administration, Bureau of TennCare, is submitting for consideration by the Fiscal Review Committee three (3) Behavioral Health Organization (BHO) amendments, listed below:

Premier Behavioral Health Systems of TN	FA-01-14662-21
Tennessee Behavioral Health, Inc.	FA-01-14661-20
Tennessee Behavioral Health, Inc. (East TN)	FA-05-16089-11

These amendments will not only extend the term dates of the contracts to coincide with the new managed care contractor assuming behavioral health services in November, 2008 and January, 2009, but also determine rates for the duration of the contract term. Over the past few months TennCare has developed and released a Request for Proposal to competitively award the new Managed Care Contractors in West and East Tennessee who will incorporate not only medical health services, but behavioral health services as well for TennCare recipients.

Additionally, TennCare is submitting for review Volunteer State Health Plan (Select), FA-02-14632-19. This amendment includes pay for performance measures, including EPSDT, Medical Service Budget Target, Case Manager

Mr. Jim White, Director
June 12, 2008
Page 2

Assignment and Claims Payment Accuracy. This amendment does not include a term extension or additional funding.

The Bureau of TennCare would greatly appreciate the consideration and approval of these amendments by the Fiscal Review Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Pierce", with a long horizontal flourish extending to the right.

Scott Pierce
Chief Financial Officer

cc: Darin J. Gordon, Deputy Commissioner
Alma Chilton, Contract Coordinator

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

RECEIVED

JUN 16 2008

Commissioner of Finance & Administration

Date:

Each of the request items below indicates specific information that must be individually detailed or addressed as required.
A REQUEST CAN NOT BE CONSIDERED IF INFORMATION PROVIDED IS INCOMPLETE, NON-RESPONSIVE, OR DOES NOT
CLEARLY ADDRESS EACH OF THE REQUIREMENTS INDIVIDUALLY AS REQUIRED

RFS #	318.66-022		
STATE AGENCY NAME :	Department of Finance and Administration Bureau of TennCare		
SERVICE CAPTION :	Behavioral Health Organizations Providing Medically Necessary Behavioral Services to the TennCare/Medicaid Population		
CONTRACT #	FA-01-14662-00	PROPOSED AMENDMENT #	21
CONTRACTOR :	Premier Behavioral Health Systems of Tennessee, LLC		
CONTRACT START DATE :	01/01/2001		
CURRENT, LATEST POSSIBLE END DATE : (including ALL options to extend)	06/30/2008		
CURRENT MAXIMUM LIABILITY :	\$1,643,658,666.00		
LATEST POSSIBLE END DATE <u>WITH</u> PROPOSED AMENDMENT : (including ALL options to extend)	06/30/2009		
TOTAL MAXIMUM COST WITH PROPOSED AMENDMENT : (including ALL options to extend)	\$1,693,658,666.00		
APPROVAL CRITERIA : (select one)	<input checked="" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service		
ADDITIONAL REQUIRED REQUEST DETAILS BELOW (address each item immediately following the requirement text)			
(1) description of the proposed additional service and amendment effects :			
This amendment to the existing contract will extend the term dates of the contract to coincide with the new managed care contractor assuming behavioral health services. Additionally the amendment extends the PMPM rates for the duration of the contract term, provides funding for this additional extension of time and adds requirements to enhance quality standards.			

(2) explanation of need for the proposed amendment :

This amendment is needed to extend the term of the contract as well as provide funding rates and funding mechanism for the remainder of contract term. The extension of term provides continuation of behavioral health services to those TennCare recipients in need.

(3) name and address of the proposed contractor's principal owner(s) :
(not required if proposed contractor is a state education institution)

Dr. Russ Petrella, Chief Operating Officer
Magellan Behavioral Health
199 Pomeroy Road, 3rd Floor
Parsippany, New Jersey 07054

(4) documentation of OIR endorsement of the Non-Competitive procurement request :
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(5) documentation of Department of Personnel endorsement of the Non-Competitive procurement request :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

(6) description of procuring agency efforts to identify reasonable, competitive, procurement alternatives rather than to use non-competitive negotiation :

This contract for Behavioral Health Services for the State has been in effect since 2001. This amendment to the existing contract will continue sufficient payment mechanism to ensure that services to recipients will continue without interruption and that language will reflect the most recent rates for FY '09.

(7) justification of why the F&A Commissioner should approve a Non-Competitive Amendment :

The Bureau of TennCare is currently modifying all of the BHO contracts to provide rates that will carry through the remainder of the contract term, at which time the new competitively identified contractors will assume behavioral health services for the TennCare/Medicaid population. The Bureau of TennCare would greatly appreciate approval of this amendment by the Commissioner of Finance and Administration.

AGENCY HEAD REQUEST SIGNATURE:

(must be signed by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR — signature by an authorized signatory will be accepted only in documented exigent circumstances)

SIGNATURE DATE: